

Message Text

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12

ACTION NEA-10

INFO OCT-01 ISO-00 ARA-06 EA-07 AF-06 EUR-12 EB-07 OES-03

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R 290610Z JAN 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 5343

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

USINT BAGHDAD POUCH

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TRIPOLI

C O N F I D E L T I A L TEHRAN 0872

STADIS////////////////////////////////

E.O.11652: GDS

TAGS: ENRG, IR

SUBJ: NIOC/CONSORTIUM NEGOTIATIONS

REF: TEHRAN 0692, TEHRAN 0530

1. WELDON KRUGER OF EXXON CALLED CHARGE JANUARY 28 TO REPORT THAT AS EXPECTED, ATMOSPHERE OF NEGOTIATION WITH NIOC IS CONSIDERABLY WORSE THAN THAT OF AUDIENCE WITH SHAH REPORTED TEHRAN 530. HE SAID TALKS HAVE GOTTEN INTO CONSIDERABLE DETAIL ON SUBJECTS OF FORM OF AGREEMENT AND GUARANTEED LIFTINGS. MEMBERS ARE CONCERNED ABOUT "FORM OF AGREEMENT" FOR TWO REASONS: ANTITRUST LAW AND TAX CREDITS. IF AMERICAN COMPANIES DO NOT GET TAX CREDITS, THEY
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WILL BE AT COMPETITIVE DISADVANTAGE COMPARED TO SOME OTHER INTER-

NATIONAL OIL COMPANIES SUCH AS ROYAL DUTCH SHELL, WHOSE UPSTREAM PROFITS ARE NOT TAXED BY THEIR HOME COUNTRIES: THE AMERICAN COMPANIES WOULD, IN EFFECT, REALIZE ONLY HALF OF WHAT IS ALREADY SMALL MARGIN.

2. COMMENT: THE EMBASSY BELIEVES THAT AMERICAN MEMBERS' ANTI-TRUST CONCERN RELATES TO A BUSINESS REVIEW LETTER OR OTHER PERMISSION GIVEN IN 1954, WHICH PERMITTED THEIR PARTICIPATION IN THE CONSORTIUM. APPARENTLY THEY NEED AN AGREEMENT WHICH IN FORM AND CONTENT WILL PRESERVE THE PROTECTION FROM ANTITRUST ACTION AFFORDED BY THAT LETTER. THUS THEY WANT A "REVISION OF THE 1973 AGREEMENT," RATHER THAN THE "NEW AGREEMENT" ON WHICH NIOC INSISTS (REF TEHRAN 0692).

3. KRUGER TOLD CHARGE THAT NIOC IS "PRESSING HARD" FOR GUARANTEED LIFTINGS AND THAT COMPANIES ARE RESISTING WITH EQUAL VIGOR, ON GROUNDS THAT THEY CANNOT AFFORD INFLEXIBILITY IMPOSED BY PROMISES TO TAKE SPECIFIED AMOUNTS AT NIOC-DETERMINED PRICES, REGARDLESS OF MARKET CONDITIONS. CONCERNING RECENT LIFTINGS, NIOC "SEEMED IN FACT TO UNDERSTAND MARKET REALITIES," BUT REGISTERED OBJECTIONS TO COMPANIES' "FAILURE TO LIVE UP TO COMMITMENTS." THESE CRITICISMS SEEMED MERELY PRO FORMA FOR COMPANIES.

4. KRUGER DID NOT MENTION STATUS OF ISSUE OF OWNERSHIP OF OSCO, WHICH WAS FIRST RAISED IN JAN 19 "PRE-NEGOTIATION" MEETING WITH NIOC FOLLOWING JAN 18 AUDIENCE (TEHRAN 530). AT THAT TIME NIOC SAID OSCO WOULD BECOME NIOC SUBSIDIARY. CONSORTIUM MEMBERS' REJECTED THIS IDEA FORCEFULLY. MEMBER OF NIOC NEGOTIATING TEAM (HOLD CLOSELY) TOLD EMBOFF JAN 22 THAT NIOC HAD ASKED YAH ABOUT THIS POINT AND HAD BEEN INSTRUCTED TO LEAVE OSCO AS IT IS. SAME SOURCE CONFIRMED THIS ON JAN 25. BY THE TIME NEGOTIATIONS BEGAN ON JAN 26, HOWEVER, NIOC'S INSTRUCTIONS ON THIS POINT HAD BEEN REVERSED. UNLESS THIS SWITCH IS TEMPORARY AND TACTICAL, ISSUE OF OSCO OWNERSHIP COULD BECOME MAJOR STICKING POINT.
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